



Rock Rapids
Life, Balanced.

2022

CITY OF ROCK RAPIDS

Independent Auditor's Reports
Basic Financial Statements
Supplementary and Other Information
Schedule of Findings and
Questioned Costs

June 30, 2022

Prepared By:

De Noble, Austin & Company PC

121 South Story Street

Rock Rapids, Iowa 51246

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SCHEDULE****PAGE(s)**

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CITY OF ROCK RAPIDS

Officials
June 30, 2022

<i>(Before January 2022)</i>		
<i>Name</i>	<i>Title</i>	<i>Term Expires</i>
Jason Chase	Mayor	January 1, 2022
Cody Hoefert	Council Member	January 1, 2022
Ed Reck	Council Member	January 1, 2022
Rollie VanderLee	Council Member	January 1, 2024
Tami Murray	Council Member	January 1, 2024
Steve Wells	Council Member	January 1, 2024
Jordan Kordahl	City Administrator, Clerk and Treasurer	Indefinite
Des Kopp	Deputy City Clerk	Indefinite
Janine DeBruin	Library Trustee	July 1, 2023
Chelsea Hunt	Library Trustee	July 1, 2023
Peter Baudhuim	Library Trustee	July 1, 2025
Shannen Struckman	Library Trustee	July 1, 2025
Laureen Schram	Library Trustee	July 1, 2027
Amy Sieperda	Library Trustee	July 1, 2027
Terry Tausz	Library Trustee	July 1, 2027
Linda McCormack	Librarian	Indefinite
Jennifer Wippert	City Attorney	Indefinite (Appointed)

<i>(After January 2022)</i>		
<i>Name</i>	<i>Title</i>	<i>Term Expires</i>
Jason Chase	Mayor	January 1, 2024
Tami Murray	Council Member	January 1, 2024
Rollie VanderLee	Council Member	January 1, 2024
Steve Wells	Council Member	January 1, 2024
Cody Hoefert	Council Member	January 1, 2026
Ed Reck	Council Member	January 1, 2026
Jordan Kordahl	City Administrator, Clerk and Treasurer	Indefinite
Des Kopp	Deputy City Clerk	Indefinite
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Laureen Schram	Library Trustee	July 1, 2027
Amy Sieperda	Library Trustee	July 1, 2027
Terry Tausz	Library Trustee	July 1, 2027
Linda McCormack	Librarian	Indefinite
Jennifer Wippert	City Attorney	Indefinite (Appointed)



De Noble, Austin & Company PC

CERTIFIED PUBLIC ACCOUNTANTS



121 S. Story Street | Rock Rapids, IA 51246 | www.denoblepc.com
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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Rock Rapids, Iowa, as of and for the year ended June 30, 2022, and the related Notes to the Financial Statements, which collectively comprise the Basic Financial Statements of the City's primary government as listed in the Table of Contents.

The financial statements referred to above include only the primary government of the City of Rock Rapids, Iowa, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles prepared on the basis of accounting described in Note 1 require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Rock Rapids, Iowa, as of June 30, 2022, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information for the primary government of the City of Rock Rapids, Iowa, as of June 30, 2022, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

MEMBERS

American Institute - Certified Public Accountants | Private Companies Practice Section | Iowa Society - Certified Public Accountants

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these primary government financial statements in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the primary government financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise the City of Rock Rapids' basic financial statements. We previously audited, in accordance with the standards referred to in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of this report, the primary government financial statements for the nine fiscal years ended June 30, 2021, (which are not presented herein) and expressed unmodified opinions on those primary government financial statements which were prepared on the cash basis of accounting. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic primary government financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic primary government financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic primary government financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic primary government financial statements or to the basic primary government financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic primary government financial statements taken as a whole.

Other Information

Management is responsible for the other information included in this annual report. The other information comprises the Management's Discussion and Analysis, the Budgetary Comparison Information for the primary government, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 5 through 11 and 30 through 34 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2023, on our consideration of the City of Rock Rapids' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Rock Rapids' internal control over financial reporting and compliance.

De Noble, Austin & Company PC

De Noble, Austin & Company PC
Certified Public Accountants

January 11, 2023

MANAGEMENT'S DISCUSSION & ANALYSIS

The City of Rock Rapids provides this Management's Discussion and Analysis of its primary government financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2022. We encourage readers to consider this information in conjunction with the City's primary government financial statements, which follow.

2022 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 0.2%, or \$7,430, from fiscal year 2021 to fiscal year 2022. Capital grants, contributions and restricted interest decreased \$308,031; Property and Other City Tax decreased \$102,224. These decreases were offset by increases of \$187,919 for the American Rescue Plan Act grant, \$44,217 in Charges for Service, \$40,235 in Local Option Sales Tax, and \$97,770 in Sale of Assets.
- Disbursements of the City's governmental activities decreased 5.7%, or \$241,906, in fiscal year 2022 from fiscal year 2021. Public Works decreased \$91,946; Capital projects decreased \$193,822. These decreases were offset by an increase of \$63,779 in Culture and Recreation. The City's total cash basis net position decreased by 3.7%, or \$176,301, from June 30, 2021 to June 30, 2022.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

- Management's Discussion and Analysis introduces the basic primary government financial statements and provides an analytical overview of the City's financial activities.
- The Government-Wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position – Primary Government. This statement provides information about the activities of the City's primary government as a whole and presents an overall view of the City's finances.
- The Fund Financial Statement tells how governmental services were financed as well as what remains for future spending. Fund financial statements report the City's primary government operations in more detail than the government-wide statement by providing information about the most significant primary government funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic primary government financial statements.
- Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability (assets) and related contributions.
- Supplementary Information provides detailed information about the nonmajor governmental funds of the City's primary government.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements, and the primary government financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the primary government financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-Wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position – Primary Government reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position – Primary Government presents the City's primary government net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position – Primary Government consists only of governmental activities. Business type activities, consisting of electric, water, wastewater, and gas, are conducted by the Rock Rapids Municipal Utilities and reported separately. Business type activities are financed primarily by user charges. The Rock Rapids Municipal Utilities also maintains a revolving loan fund accounted for as a governmental activity (the Utilities received a "Rural Economic Development Grant" to assist with the establishment of this fund). To obtain the financial information on the Municipal Utilities, please contact the Municipal Utilities office. A copy of the Municipal Utilities' audit report is available for the public's review.

Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Program receipts; property taxes; tax increment financing; and local option sales taxes finance most of these activities.

Fund Financial Statements

The primary government of the City of Rock Rapids uses governmental funds only. Proprietary funds are used to account for business type activities and, as noted above, are conducted by the Rock Rapids Municipal Utilities, which is reported separately.

Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: (1) the General Fund; (2) the Special Revenue Funds, such as Road Use Tax, Employee Benefits, Local Option Sales Tax, Urban Renewal Tax Increment, Revolving Loan and Library Memorial Trust; (3) the Debt Service Fund; (4) the Capital Projects Fund; and (5) the Permanent Funds, such as Library Endowment and Cemetery Perpetual Care. The governmental funds primary government financial statement provides a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Primary Government.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. Over the past year, the City's cash balance for primary government governmental activities decreased from \$4,780,452 to \$4,604,151. The analysis that follows focuses on changes in cash basis net position for governmental activities.

Changes in Cash Basis of Net Position of Governmental Activities		
	Year Ending June 30	
	2022	2021
Receipts:		
Program Receipts:		
Charges for Service	\$ 477,872	\$ 433,655
Operating Grants, Contributions and Restricted Interest	542,250	564,854
Capital Grants, Contributions and Restricted Interest	26,803	334,834
General Receipts:		
Property and Other City Tax	1,314,431	1,416,655
Tax Increment Financing	393,971	386,491
Local Option Sales Tax	406,086	365,851
Grants and Contributions Not Restricted to Specific Purpose	213,080	183,260
American Rescue Plan Act	187,919	0
Unrestricted Investment Earnings	8,809	15,045
Rents	24,256	22,725
Commercial/Industrial Tax Replacement	142,686	145,697
Sale of Assets	97,770	0
Miscellaneous (Insurance Proceeds)	25,703	0
Total Receipts	\$ 3,861,636	\$ 3,869,067
Disbursements:		
Public Safety	\$ 417,458	\$ 454,335
Public Works	816,969	908,915
Health and Social Services	11,365	11,365
Culture and Recreation	679,453	615,674
Community and Economic Development	600,347	583,544
General Government	278,321	274,063
Debt Service	542,650	546,750
Capital Projects	691,375	885,197
Total Disbursements	\$ 4,037,937	\$ 4,279,843
Change in Cash Basis Net Position	\$ (176,301)	\$ (410,776)
Cash Basis Net Position Beginning of Year	4,780,452	5,191,228
Cash Basis Net Position End of Year	\$ 4,604,151	\$ 4,780,452

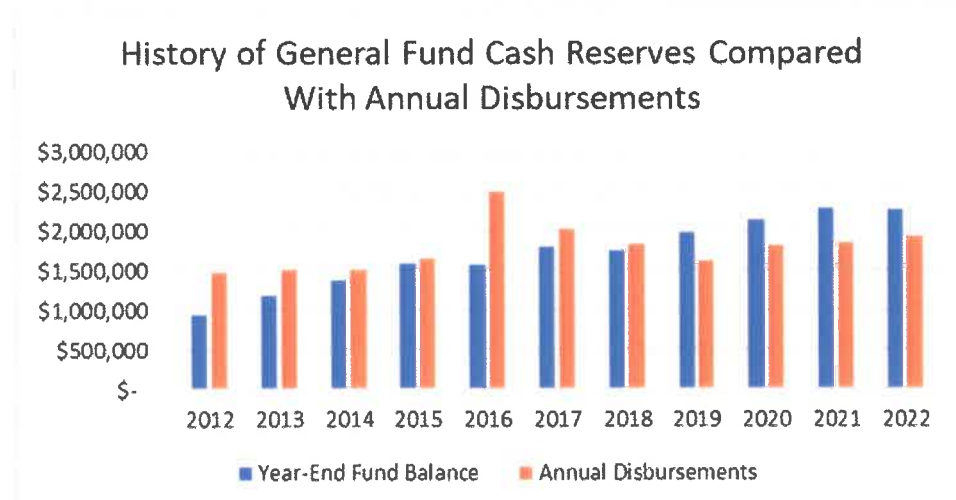
The City's total receipts for governmental activities this year was \$3,861,636, compared to \$3,869,067 last year, which is a decrease of \$7,431, or 0.2%. The cost of all governmental activities this year was \$4,037,937, compared to \$4,279,843 last year, which is a decrease of \$241,906, or 5.7%. The decrease in disbursements was due to decreases of \$91,946 in public works and \$193,822 in capital projects. These decreases were offset by an increase of \$63,779 in culture and recreation.

The amount taxpayers ultimately financed for these governmental activities was only \$2,991,012, because some of the cost was paid by those who directly benefited from the programs (\$477,872) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$569,053). The City paid for the remaining "public benefit" portion of governmental activities with other receipts such as property taxes, tax increment financing, local option sales tax, general grants and contributions, unrestricted investment earnings, rents, and state tax replacement.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Rock Rapids completed the year, its primary government governmental funds reported a combined cash balance of \$4,604,151, a decrease of \$176,301 from last year's total of \$4,780,452. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased by \$17,754, from \$2,281,954 to \$2,264,200, at June 30, 2022. This compares to a \$147,912 increase in the prior fiscal year. Receipts and other financing uses decreased by \$82,927 due to decreases of \$56,090 in property tax revenues resulting from a 5.3% decrease in the general fund tax rate, \$15,771 in intergovernmental revenues as a result of a decrease in federal public assistance grants, and \$42,983 in other financing sources as a result of decreases in transfers from other funds. These decreases were offset by an increase of \$41,110 in miscellaneous revenue consisting of increases in contributions.
- Disbursements and other financing uses increased by \$82,739 due to increases of \$76,034 in public works for airport improvements and \$56,701 in culture and recreation for cemetery improvements. These increases were offset by decreases of \$36,843 in public safety as a result of a decrease in purchase of real property for the fire department and \$30,358 in community and economic development as a result of decreases in economic development projects.



- The Road Use Tax Fund increased by \$4,297, from \$656,734 to \$661,031 at June 30, 2022. This compares with a \$137,816 decrease in the prior fiscal year. Disbursements and other financing uses decreased by \$140,894 due mainly to a decrease of \$120,747 in purchase of capital equipment.

- The Employee Benefits Fund increased by \$20,859, from \$49,802 to \$70,661 at June 30, 2022. This compares with a \$78,736 decrease in the prior year. Receipts and other financing uses increased by \$116,242 due to an increase of \$200,000 in transfers from other funds. This increase was offset by a decrease of \$76,944 in property tax revenues. Disbursements and other financing uses increased by \$16,646 due to increases in the costs of employee benefits.
- The Local Option Sales Tax Fund increased by \$26,086, from \$7,475 to \$33,561, at June 30, 2022. This compares with a \$4,149 decrease in the prior year. Receipts and other financing sources increased by \$40,235 due to an equivalent increase in local option sales tax revenues. Disbursements and other financing uses increased by \$10,000 due to equivalent increases in transfers to other funds.
- The Revolving Loan Fund decreased by \$26,063, from \$209,503 to \$183,440, at June 30, 2022. This compares with a \$21,789 increase in the prior year. Disbursements and other financing uses increased by \$49,839 due to an increase of \$50,000 in the issuance of revolving loans.
- The Low-and-Moderate-Income cash balance in the Tax Increment Financing Fund increased by \$26,124, from \$94,037 to \$120,161, at June 30, 2022. This increase compares with an \$18,446 increase in the prior year. Disbursements and other financing uses decreased by \$8,000 due to decreases in the distribution of grants to low-and-moderate-income families and individuals for purchase of affordable housing.
- The Debt Service Fund increased by \$29,324, from \$33,439 to \$62,763, at June 30, 2022. This compares with a \$3,032 decrease in the prior fiscal year. Receipts and other financing sources increased by \$28,256 due to an increase of \$31,349 in property tax revenues that resulted from a 3.1% increase in regular taxable valuation combined with a 3.5% increase in the debt service tax rate.
- The Capital Projects Fund decreased by \$265,573, from \$973,091 to \$707,518, at June 30, 2022. This compares with a decrease of \$381,572 in the prior fiscal year. Receipts and other financing sources increased by \$107,717 due to increases of \$173,106 in federal grant funding, \$51,130 in special assessments, \$70,000 in proceeds from capital asset sales, and \$82,380 in regular transfers in. These increases were offset by decreases of \$169,994 in reimbursements from Rock Rapids Utilities and \$103,645 in contributions. Disbursements and other financing uses decreased by \$8,282 due to decreases of \$73,557 for regular capital projects and \$120,264 for TIF capital projects. These decreases were offset by increases of \$185,539 in regular transfers out.

BUDGETARY HIGHLIGHTS

The City did not amend its portion of the certified budget during the 2022 fiscal year. Actual receipts came in \$526,725, or 12.0%, below budget for the City's portion of the budget. Intergovernmental receipts came in \$206,948, or 18.2%, below budget due primarily to having budgeted for receipts for the Municipal Housing Agency, a separate legal entity, for which the City budget includes an estimate of intergovernmental receipts. Miscellaneous revenues came in \$289,344, or 47.0%, below budget due to having budgeted for non-revenues to account for depreciation backfill.

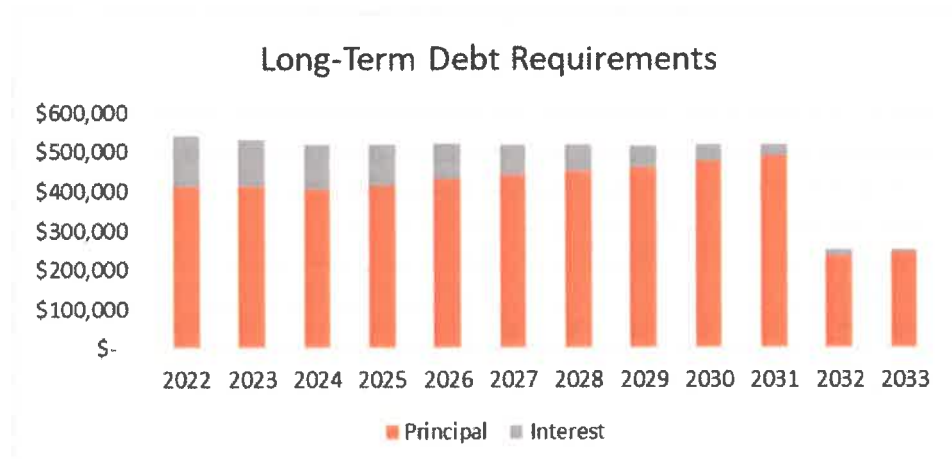
Disbursements came in \$1,156,555, or 22.3%, below budget. All functions came in below budget for the City's portion of the amended budget. Disbursement for public works came in \$342,781, or 29.6%, below budget due to operating costs for street maintenance coming in lower than anticipated. Disbursements for culture and recreation came in \$233,504, or 25.6%, below budget due to having budgeted park improvements that did not materialize. Disbursements for community and economic development came in \$430,705, or 41.8%, below budget due primarily to having budgeted for the following: (a) disbursements for the Municipal Housing Agency, a separate legal entity, for which the City budget includes an estimate of intergovernmental receipts and related disbursements; (b) economic development projects that did not materialize. Disbursements for general government came in \$126,351, or 31.2%, below budget due to budgeting for employee training costs that have not yet materialized. The net cash change for the fiscal year came in \$629,830 higher than budgeted for the City's portion of the certified budget.

DEBT ADMINISTRATION

At June 30, 2022 the City owed \$4,455,000 in notes and other long-term debt, compared to \$4,865,000 last year, as shown below:

	Outstanding Debt at Year-End	
	June 30,	
	2022	2021
General Obligation Capital Loan Notes	<u>\$ 4,455,000</u>	<u>\$ 4,865,000</u>

The City Council issued no debt during the 2022 fiscal year.



The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to five percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$4,455,000 is adequately below its constitutional debt limit of \$8,286,193.

More detailed information about the City's long-term debt is presented in Note 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Building permits for new construction issued during calendar year 2021 listed estimated costs at \$2.8 million for residential property and \$800,000 for commercial/industrial property. This amounts to increases from \$2.2 million for residential property and from \$150,000 for commercial/industrial property during the prior year.

Taxable retail sales during fiscal year 2021 totaled \$35,618,517, which is an increase of \$2,328,165, or 7.0%, from the prior year. This compares with the prior year increase of \$344,268, or 1.0%, from the previous year. Rock Rapids presently accounts for 29.9% of totals for Lyon County, which is an increase from 29.6% during the prior year.

Total taxable valuation (excluding agricultural) increased by 7.5%, to \$112.2 million, from the prior year. This increase, which compares with the prior year increase of 3.6% and average annual increases of 4.0% for the previous 10 years, is partly offset by a 2.0% reduction in the total tax levy rate on regular property, to \$14.21 per \$1,000 of taxable valuation, resulting in a net projected increase of \$26,533 in total property tax revenues.

History of Taxable + TIF Valuations



Excluding capital projects, the fiscal year 2023 budget provides for a cash decrease of \$1,033,068, or 19.6% of budgeted non-capital disbursements. However, as a result of budget surpluses that have accumulated in recent years, the City is projected to maintain operating cash reserves of approximately \$2.31 million, or 43.8% of budgeted non-capital disbursements.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of Rock Rapids' finances and to demonstrate the City's accountability for the money it receives. Questions about this report or requests for addition financial information should be addressed to: Jordan Kordahl, City Administrator, 411 First Avenue, Rock Rapids, Iowa 51246.

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**Basic Primary Government
Financial Statements**
City of Rock Rapids

CITY OF ROCK RAPIDS

Basic Primary Government Financial Statements

Exhibit A – Statement of Activities and Net Position – Cash Basis

Primary Government

As of and for the Year Ended June 30, 2022

	Disbursements	Charges for Service	Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Position
			Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest	
Functions/Programs:					Governmental Activities
Governmental Activities:					
Public Safety	\$ 417,457	0	86,488	0	(330,969)
Public Works	816,969	248,085	402,880	0	(166,004)
Health and Social Services	11,365	0	0	0	(11,365)
Culture and Recreation	679,453	109,304	47,872	0	(522,277)
Community and Economic Development	600,347	34,668	2,943	0	(562,736)
General Government	278,321	9,503	103	0	(268,715)
Debt Service	542,650	76,312	1,964	0	(464,374)
Capital Projects	691,375	0	0	26,803	(664,572)
Total Governmental Activities	\$ 4,037,937	477,872	542,250	26,803	(2,991,012)

General Receipts:

Property and Other City Tax Levied for:	
General Purposes	\$ 715,718
Employee Benefits	73,447
Debt Service	525,266
Tax Increment Financing	393,971
Local Option Sales Tax	406,086
Commercial/Industrial Tax Replacement	142,686
Grants and Contributions not Restricted to Specific Purpose	213,080
American Rescue Plan Act	187,919
Unrestricted Interest on Investments	8,809
Sale of Capital Assets	97,770
Miscellaneous	25,703
Rents	24,256
	<hr/>
Total General Receipts	2,814,711
	<hr/>
Change in Cash Basis Net Position	(176,301)
	<hr/>
Cash Basis Net Position Beginning of Year	4,780,452
	<hr/>
Cash Basis Net Position End of Year	\$ 4,604,151
	<hr/>

Total Cash Basis Net Position

Restricted:

Nonexpendable - Library Endowment & Cemetery Perpetual Care	\$ 112,195
Expendable -	
Road Use Tax (Streets)	661,031
Library Projects	388,620
Debt Service	62,763
Capital Projects	707,519
Other Purposes	407,823
Unrestricted	2,264,200
	<hr/>
Total Cash Basis Net Position	\$ 4,604,151
	<hr/>

See Notes to Financial Statements

CITY OF ROCK RAPIDS

Basic Primary Government Financial Statements

Exhibit B – Statement of Cash Receipts, Disbursements and Changes in Cash Balances

Primary Government

As of and for the Year Ended June 30, 2022

	General	Local Option Sales Tax	Special Revenue Road Use Tax	Library Memorial Trust	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Receipts:								
Property Tax	\$ 714,514	0	0	0	524,508	0	73,323	1,312,345
Tax Increment Financing	0	0	0	0	0	0	393,971	393,971
Other City Tax	1,204	406,086	0	0	758	0	124	408,172
Licenses and Permits	18,824	0	0	0	0	0	0	18,824
Use of Money and Property	33,099	0	1,050	1,451	1,964	1,803	3,877	43,244
Intergovernmental	293,181	0	359,432	0	41,512	187,919	47,567	929,611
Charges for Service	351,446	0	0	0	0	0	0	351,446
Special Assessments	160	0	0	0	3,232	73,080	0	76,472
Miscellaneous	153,696	0	25,740	4,190	0	25,000	21,155	229,781
Total Receipts	1,566,124	406,086	386,222	5,641	571,974	287,802	540,017	3,763,866
Disbursements:								
Operating:								
Public Safety	414,236	0	0	0	0	0	3,221	417,457
Public Works	380,203	0	359,545	0	0	0	77,221	816,969
Health and Social Services	11,365	0	0	0	0	0	0	11,365
Culture and Recreation	607,330	0	0	0	0	0	72,123	679,453
Community and Economic Development	272,244	0	0	0	0	0	328,103	600,347
General Government	234,363	0	0	0	0	0	43,958	278,321
Debt Service	0	0	0	0	542,650	0	0	542,650
Capital Projects	0	0	0	0	0	691,375	0	691,375
Total Disbursements	1,919,741	0	359,545	0	542,650	691,375	524,626	4,037,937

Excess (Deficiency) of Receipts Over (Under) Disbursements	(353,617)	406,086	26,677	5,641	29,324	(403,573)	15,391	(274,071)
Other Financing Sources (Uses):								
Proceeds of Capital Asset Sales	27,770	0	0	0	0	70,000	0	97,770
Operating Transfers In	321,287	0	0	0	0	255,920	213,194	790,401
Operating Transfers Out	(13,194)	(380,000)	(22,380)	0	0	(187,919)	(186,908)	(790,401)
Total Other Financing Sources (Uses)	335,863	(380,000)	(22,380)	0	0	138,001	26,286	97,770
Net Change in Cash Balances	(17,754)	26,086	4,297	5,641	29,324	(265,572)	41,677	(176,301)
Cash Balances Beginning of Year	2,281,954	7,475	656,734	382,979	33,439	973,091	444,780	4,780,452
Cash Balances End of Year	\$2,264,200	33,561	661,031	388,620	62,763	707,519	486,457	4,604,151
Cash Basis Fund Balances								
Nonspendable - Library Endowment & Cemetery Perpetual Care	\$ 0	0	0	0	0	0	112,195	112,195
Restricted for:								
Road Use Tax (Streets)	0	0	661,031	0	0	0	0	661,031
Library Projects	0	0	0	388,620	0	0	0	388,620
Debt Service	0	0	0	0	62,763	0	0	62,763
Capital Projects	0	0	0	0	0	707,519	0	707,519
American Rescue Plan Act Projects	187,919	0	0	0	0	0	0	187,919
Other Purposes	0	33,561	0	0	0	0	374,262	407,823
Committed	115,190	0	0	0	0	0	0	115,190
Assigned	1,690,423	0	0	0	0	0	0	1,690,423
Unassigned	270,668	0	0	0	0	0	0	270,668
Total Cash Basis Fund Balances	\$2,264,200	33,561	661,031	388,620	62,763	707,519	486,457	4,604,151

See Notes to Financial Statements.

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CITY OF ROCK RAPIDS

Notes to Financial Statements

Notes to Financial Statements

June 30, 2022

Note 1: Summary of Significant Accounting Policies

The City of Rock Rapids is a political subdivision of the State of Iowa located in Lyon County. It was first incorporated in 1885 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities of the primary government. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Rock Rapids (the primary government). As noted in the Independent Auditor's Report, the component units discussed below are not included in the financial statements. The primary government financial statements, because they do not include the financial data of the component units of the City of Rock Rapids, do not purport to, and do not present fairly the cash basis financial position of the reporting entity of the City of Rock Rapids, Iowa, as of June 30, 2022, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described here in Note 1.

Component Units – If it were not for the City preparing financial statements of the primary government only, the Rock Rapids Municipal Utilities and the Rock Rapids Municipal Housing Agency would be included as part of the City's reporting entity because of the significance of each organization's operational or financial relationship with the City. The Rock Rapids Municipal Utilities and the Rock Rapids Municipal Housing Agency would be presented as discretely presented component units in a separate column in the Statement of Activities and Net Position – Cash Basis to emphasize that each is legally separate from the City, but are financially accountable to the City, or whose relationships with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete.

The Municipal Utilities is governed by a three-member board appointed by the Mayor and approved by the City Council and the Municipal Utilities operating budget is approved by the City Council. To obtain the financial information on the Municipal Utilities, please contact the Municipal Utilities' office. A copy of the Municipal Utilities' audit report is available for the public's review. The Rock Rapids Municipal Housing Agency is governed by a five-member board appointed by the Mayor and City Council and the City has the ability to impose its will on the Housing Agency by influencing the programs, projects, activities and level of services performed/provided by the Housing Agency. To obtain financial information on the Housing Agency, please contact the Chamber of Commerce/Municipal Housing office.

The City received \$105,933 from the Rock Rapids Municipal Utilities during the fiscal year ended June 30, 2022 (\$100,653 in intergovernmental receipts and \$5,280 in charges for service). The City paid the Rock Rapids Municipal Utilities \$5,000 for rent and \$15,891 for garbage/recycling billing and collection services.

The City also pays the Utilities for utility services and both entities charge each other for any occasional labor and materials provided to each other. The City received \$10,899 from the Rock Rapids Municipal Housing Agency during the fiscal year ended June 30, 2022.

Jointly Governed Organizations – The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Lyon County Assessor’s Conference Board, Lyon County Joint E911 Service Board, Lyon County Emergency Management Commission, the Northwest Iowa Area Solid Waste Agency, the Lyon County Economic Development Consortium, the Northwest Iowa Regional Housing Authority, the Rock Rapids Development Corporation, the Rock Rapids Chamber of Commerce, and the Hazardous Material Response Commission (HAZMAT).

B. Basis of Presentation

Government-Wide Financial Statement – The Cash Basis Statement of Activities and Net Position – Primary Government reports information on all of the nonfiduciary activities of the City’s primary government. For the most part, the effect of interfund activity has been removed from this statement. This financial statement reports governmental activities which are supported to a significant extent by tax and intergovernmental revenues.

The Cash Basis Statement of Activities and Net Position – Primary Government presents the City’s primary government nonfiduciary net position. Net position is reported in the following categories/components:

- *Nonexpendable restricted net position* is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City’s Permanent Funds (the Library Endowment and Cemetery Perpetual Care Funds).
- *Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net position* consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position – Primary Government demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statement – A separate financial statement is provided for the primary government governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statement. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

- The General Fund is the general operating fund of the City. All general tax receipts from general levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

- **Special Revenue:**

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Library Memorial Trust Fund is used to account for library projects financed by donations and investment income.

The Local Option Sales Tax Fund is used to account for local option sales tax collections received from the State of Iowa to be used for planning, construction operation and maintenance of public facilities for education, recreation and community activities, and any lawful purpose of the City.

- The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.
- The Capital Projects Fund is utilized to account for all resources used in the acquisition and/or construction of major capital equipment and facilities for the City.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the primary government financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the primary government financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements.

Property tax revenues recognized in the governmental funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects tax asking contained in the budget certified to the City Council in March 2021.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

- *Nonspendable* – Amounts which cannot be spent because they are legally or contractually required to be maintained intact (the City's Permanent Funds).
- *Restricted* – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

- *Committed* – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Council through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same action it employed to commit those amounts.
- *Assigned* – Amounts the Council intends to use for specific purposes.
- *Unassigned* – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2022, disbursements for the City of Rock Rapids only portion of the budget did not exceed the amounts budgeted in any function.

Note 2: Cash and Pooled Investments

The City's deposits in banks at June 30, 2022 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute and its written investment policy to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Note 3: Notes Receivable - Revolving Loan Fund

The City established a Revolving Loan Fund for the purpose of lending monies for various economic development projects at a reasonable rate of interest to promote economic development within the City.

The notes issued are payable over ten years at a rate ranging from 2.5% to 4.5%, with an adjustable rate to be determined after five years based on the Wall Street prime interest rate plus 0.25%. Interest received on the notes receivable was \$3,461 during fiscal year June 30, 2022.

The balances as of June 30, 2022, are computed as follows:

Balance on June 30, 2021	\$ 90,439
New Notes Issued	50,000
Payments on Principal	(20,060)
Balance on June 30, 2022	<u>\$ 120,379</u>

The following are the scheduled amounts of notes receivable principal (net of \$0 in allowance for doubtful accounts) coming due for the fiscal years ending:

Fiscal Year Ended June 30:	Principal Payments
2023	\$ 19,710
2024	18,234
2025	18,759
2026	19,103
2027	17,855
2028-2029	26,718
Total	<u>\$ 120,379</u>

Note 4: Notes Payable

Annual debt service requirements to maturity for general obligation capital loan notes are as follows:

Fiscal Year Ended June 30,	General Obligation Capital Loan Notes	Interest	Total
2023	\$ 410,000	122,700	532,700
2024	405,000	113,800	518,800
2025	415,000	102,725	517,725
2026	430,000	91,375	521,375
2027	440,000	79,625	519,625
2028 – 2032	2,110,000	209,125	2,319,125
2033	245,000	7,350	252,350
Total	\$ 4,455,000	726,700	5,181,700

On April 30, 2012, the City issued \$2,060,000 of general obligation bonds with interest rates ranging from 2.0% to 2.35% per annum. The bonds were issued for street improvements and to refinance other outstanding general obligation bonds. During the year ended June 30, 2022, the City paid \$200,000 of principal and \$9,100 of interest on the bonds.

On May 25, 2016, the City issued \$3,300,000 of general obligation bonds with interest rates ranging from 2.0% to 3.0% per annum. The bonds were issued for capital street projects, cleanup from the flood of 2014 and to refinance other outstanding general obligation bonds. During the year ended June 30, 2022, the City paid \$210,000 of principal and \$57,700 of interest on the bonds.

On July 10, 2019, the City issued \$2,150,000 of general obligation bonds with an interest rate of 3.0% per annum. The bonds were issued for the purchase of real estate, street improvements, bridge repairs and the purchase of fire equipment. During the year ended June 30, 2022, the City paid \$64,500 of interest on the bonds.

Note 5: Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2022, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%.

The City's contributions to IPERS for the year ended June 30, 2022 were \$64,787.

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the City reported a liability of \$11,693 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the City's proportion was 0.008341%, which was an increase of 0.000309% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022 the City's pension expense, deferred outflows and deferred inflows totaled \$(40,655), \$76,957, and \$493,016 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation (Effective June 30, 2017)	2.60% per Annum
Rates of Salary Increase (Effective June 30, 2017)	3.25 to 16.25%, Average, Including Inflation Rates Vary by Membership Group
Long-term Investment Rate of Return (Effective June 30, 2017)	7.00%, Compounded Annually, Net of Investment Expense, Including Inflation
Wage Growth (Effective June 30, 2017)	3.25% per Annum, Based on 2.60% Inflation And 0.65% Real Wage Inflation

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2021 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	22.0%	4.43%
International Equity	17.50	6.01
Global Smart Beta Equity	6.0	5.10
Core Plus Fixed Income	26.0	0.29
Public Credit	4.0	2.08
Cash	1.0	(0.25)
Private Equity	13.0	9.51
Private Real Assets	7.5	4.63
Private Credit	3.0	2.87
Total	100.0%	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's Proportionate Share of the Net Pension Liability	\$ 413,867	11,693	(493,016)

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Note 6: Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees, and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2022, the City contributed \$114,047 and plan members eligible for benefits contributed \$21,292 to the plan. At June 30, 2022, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2022, there were 10 active employees covered by the benefits terms and 0 inactive employees or beneficiaries currently receiving benefit payments.

Note 7: Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2022, primarily relating to the General and Road Use Tax Funds, is as follows:

Type of Benefit	Amount
Vacation	\$ 65,061
Sick Leave	25,245
Total	\$ 90,306

All of an employee's vacation is paid upon retirement, termination or death. If an employee, except a Library employee, has ten or more years of service with the City, 15% of sick leave is paid upon retirement, termination or death. No sick leave is paid upon retirement, termination or death for Library employees. The amount of sick leave reported above only includes the sick leave for eligible employees that have attained the ten years or more of service requirement. This liability has been computed based on rates of pay in effect at June 30, 2022.

Note 8: Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2022 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 100,000
	Capital Projects	187,919
	Road Use Tax	20,000
	Urban Renewal Tax Increment	13,368
Special Revenue:		
Urban Renewal Tax Increment	General	13,194
Special Revenue:	Special Revenue:	
Employee Benefits	Local Option Sales Tax	200,000
Capital Projects	Local Option Sales Tax	80,000
Capital Projects	Road Use Tax	2,380
Capital Projects	Urban Renewal Tax Increment	173,540
Total		\$ 790,401

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

Note 9: Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are mainly covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10: Intergovernmental Agreement

The City has entered into an agreement with the Northwest Iowa Area Solid Waste Agency, a political subdivision created in accordance with Chapter 28E of the Code of Iowa, for disposal of solid waste produced or generated from within the City. There were no payments made directly to the Northwest Iowa Area Solid Waste Agency by the City during the fiscal year ended June 30, 2022.

State and Federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The closure and post closure costs to the Agency have been estimated at \$3,849,707 as of June 30, 2022, and the portion of the liability that has been recognized by the Agency as of June 30, 2022, is \$3,656,024. Based on constructed volume as of June 30, 2022, the estimated remaining life of the landfill is 0 years and the capacity used at June 30, 2022, is approximately 99.83%. The Agency has begun to accumulate resources to fund these costs, and as of June 30, 2022, assets of \$2,094,896 are restricted for these purposes. The Agency has fully demonstrated financial assurance for closure and post closure care costs as required by Chapter 113 of the Iowa Administrative Code. No estimate has been made as to the possibility of any future assessments to the City.

Note 11: Development Agreement

The City entered into an agreement for private development with the Rock Rapids Development Corporation, Inc. (the RRDC). The agreement proposed the City will transfer development property to the RRDC for the aggregate purchase price of \$40,000, with payment due in full by June 30, 2024. The property is eligible to be redeveloped as part of the Forster Urban Renewal Area. The RRDC agrees to construct minimum improvements and certain public improvements to the area. In return, the City will make economic development grants to RRDC for 66.16% of the tax increments generated by the construction of the minimum improvements. The tax increment collections received and rebated to the RRDC will be used as payment to pay off the outstanding balance due for the property purchase.

Note 12: Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements – The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2022, \$73,468 of property was diverted from the City under the urban renewal and economic development projects.

Note 13: Commitments

In March 2021, the City entered into a contract with 605 Companies for the Union Street Detention Basin Project for \$231,293 to be paid from the Capital Projects Fund. As of June 30, 2022, the project was in process and \$105,895 was been paid for work completed.

In October 2021, the City entered into a contract with Solsma Excavating & Tiling in the amount of \$77,092 to be paid from the Capital Projects Fund for the construction of the Sanitary Sewer Main Replacement. As of June 30, 2022, the project was not started.

Note 14: Subsequent Events

In July 2022, the City approved to award the construction of the Union Street Retention Pond Trail Project to Vander Pol Excavating in the amount of \$120,537.

In October 2022, the City approved to award the East Street Bridge over Tom Creek Replacement Project to Godbersen-Smith Construction in the amount of \$1,514,171. Federal grant funding will cover 100 percent of construction costs up to \$1 million dollars.

Note 15: COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City.

Other Information

City of Rock Rapids

CITY OF ROCK RAPIDS

Other Information

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds

Year Ended June 30, 2022

	Governmental Funds Actual	Budgeted Amounts Original	Final to Actual Variance
Receipts:			
Property Tax	\$ 1,312,345	1,371,974	(59,629)
Tax Increment Financing	393,971	464,074	(70,103)
Other City Tax	408,172	360,025	48,147
Licenses and Permits	18,824	12,000	6,824
Use of Money and Property	43,244	62,400	(19,156)
Intergovernmental	929,611	1,136,559	(206,948)
Charges for Service	351,446	349,030	2,416
Special Assessments	76,472	15,000	61,472
Miscellaneous	229,781	617,300	(387,519)
Total Receipts	3,763,866	4,388,362	(624,496)
Disbursements:			
Public Safety	417,457	428,861	(11,404)
Public Works	816,969	1,159,750	(342,781)
Health and Social Services	11,365	13,000	(1,635)
Culture and Recreation	679,453	912,957	(233,504)
Community and Economic Development	600,347	1,031,053	(430,706)
General Government	278,321	404,672	(126,351)
Debt Service	542,650	550,300	(7,650)
Capital Projects	691,375	693,900	(2,525)
Total Disbursements	4,037,937	5,194,493	(1,156,556)
Excess (Deficiency) of Receipts Under (Over) Disbursements	(274,071)	(806,131)	532,060
Other Financing Sources (Uses)	97,770	0	97,770
Net Change in Cash Balances	(176,301)	(806,131)	629,830
Balances Beginning of Year	4,780,452	3,656,318	1,124,134
Balances End of Year	\$ 4,604,151	2,850,187	1,753,964

- Note: These figures do not reflect amounts included in the City's legally adopted budget for the Rock Rapids Municipal Utilities, which is a component unit that was audited separately. The amounts that were removed for the Rock Rapids Municipal Utilities from the original budget included \$5,404,556 in receipts (charges for services) and \$5,498,144 in disbursements (business-type activities).

See Accompanying Independent Auditor's Report.

CITY OF ROCK RAPIDS

Other Information

Notes to Other Information – Budgetary Reporting Year Ended June 30, 2022

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds (which there are none) for the City of Rock Rapids. The City's adopted budget includes the Rock Rapids Municipal Utilities, which is a legally separate component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. There were no amendments to the City's original budget during the fiscal year.

The Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds – Primary Government does not reflect the amounts included in the City's budget for the Rock Rapids Municipal Utilities. Please see the Rock Rapids Municipal Utilities audit report for information concerning budget to actual figures for the Municipal Utilities.

During the year ended June 30, 2022, disbursements did not exceed the amount budgeted for any function.

CITY OF ROCK RAPIDS
Other Information

Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Last Eight Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability	0.008341%	0.008031%	0.008001%	0.008017%	0.0078947%	0.0078600%	0.0077365%	0.0074833%
City's Proportionate Share of the Net Pension Liability	\$ 11,693	560,284	466,408	507,164	525,889	494,652	382,223	296,780
City's Covered Payroll	\$ 676,975	632,982	612,975	602,348	589,304	564,061	552,404	567,174
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	1.73%	88.51%	76.09%	84.20%	89.24%	87.69%	69.19%	52.33%
IPERS' Net Position as a Percentage of the Total Pension Liability	100.81%	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See Accompanying Independent Auditor's Report.

CITY OF ROCK RAPIDS

Other Information

Schedule of City Contributions
Iowa Public Employees' Retirement System
For the Last Ten Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily Required Contribution	\$ 64,787	63,906	59,753	57,878	53,790	52,625	50,371	49,558	51,317	48,349
Contributions in Relation to the Statutorily Required Contribution	(64,787)	(63,906)	(59,753)	(57,878)	(53,790)	(52,625)	(50,371)	(49,558)	(51,317)	(48,349)
Contribution Deficiency (Excess)	\$ 0	0	0	0	0	0	0	0	0	0
City Covered Employee Payroll	\$ 686,303	676,975	632,982	612,975	602,348	589,304	564,061	552,404	567,174	547,766
Contributions as a Percentage of Covered Employee Payroll	9.44%	9.44%	9.44%	9.44%	8.93%	8.93%	8.93%	8.97%	9.05%	8.83%

See Accompanying Independent Auditor's Report.

Notes to Other Information – Pension Liability
Year Ended June 30, 2022

Changes of Benefit Terms:

There are no significant changes in benefit terms.

Changes of Assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.5% per year.
- Decreased the discount rate from 7.5% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

Supplementary Information

City of Rock Rapids

CITY OF ROCK RAPIDS
Supplementary Information

**Schedule 1 – Schedule of Cash Receipts, Disbursements, and Changes in
Cash Balances Nonmajor Governmental Funds – Primary Government**
As of and For the Year Ended June 30, 2022

	Special Revenue			Permanent		
	Employee Benefits	Urban Renewal Tax Increment	Revolving Loan Fund	Library Endowment	Cemetery Perpetual Care	Total
Receipts:						
Property Tax	\$ 73,323	0	0	0	0	73,323
Tax Increment Financing	0	393,971	0	0	0	393,971
Other City Tax	124	0	0	0	0	124
Use of Money and Property	0	0	3,877	0	0	3,877
Intergovernmental	5,497	42,070	0	0	0	47,567
Miscellaneous	0	0	20,060	0	1,095	21,155
Total Receipts	78,944	436,041	23,937	0	1,095	540,017
Disbursements:						
Operating:						
Public Safety	3,221	0	0	0	0	3,221
Public Works	77,221	0	0	0	0	77,221
Culture and Recreation	72,123	0	0	0	0	72,123
Community and Economic Development	61,562	216,541	50,000	0	0	328,103
General Government	43,958	0	0	0	0	43,958
Total Disbursements	258,085	216,541	50,000	0	0	524,626
Excess (Deficiency) of Receipts Over (Under) Disbursements	(179,141)	219,500	(26,063)	0	1,095	15,391
Other Financing Uses:						
Operating Transfers In	200,000	13,194	0	0	0	213,194
Operating Transfers Out	0	(186,908)	0	0	0	(186,908)
Total Other Financing Sources (Uses)	200,000	(173,714)	0	0	0	26,286
Net Change in Cash Balances	20,859	45,786	(26,063)	0	1,095	41,677
Cash Balances Beginning of Year	49,802	74,375	209,503	2,000	109,100	444,780
Cash Balances End of Year	\$ 70,661	120,161	183,440	2,000	110,195	486,457
Cash Basis Fund Balances						
Nonspendable: Library Endowment & Cemetery Perpetual Care	\$ 0	0	0	2,000	110,195	112,195
Restricted for:						
Other Purposes	70,661	120,161	183,440	0	0	374,262
Total Cash Basis Fund Balances	\$ 70,661	120,161	183,440	2,000	110,195	486,457

See Accompanying Independent Auditor's Report.

CITY OF ROCK RAPIDS
Supplementary Information

Schedule 2 – Source of Receipts by:
Source and Disbursements by Function – All Governmental Funds
Primary Government
For the Last Ten Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Receipts:										
Property Tax	1,312,345	1,414,030	1,381,840	1,388,247	1,359,375	1,322,817	1,351,588	1,341,975	1,326,905	1,311,656
Tax Increment Financing	393,971	386,491	263,843	237,725	187,289	183,523	166,572	221,818	202,783	177,727
Other City Tax	408,172	368,477	291,874	281,907	264,221	315,367	275,899	261,683	231,474	247,931
Licenses and Permits	18,824	12,276	14,254	12,001	18,091	11,924	13,426	15,747	9,916	11,522
Use of Money and Property	43,244	51,685	91,544	95,209	63,949	54,998	43,722	51,077	52,119	54,016
Intergovernmental	929,611	959,235	1,705,971	1,401,712	1,172,320	3,338,644	1,905,502	996,993	711,805	490,061
Charges for Service	351,446	361,902	321,938	337,511	349,787	346,653	349,834	376,886	379,775	379,372
Special Assessments	76,472	29,945	178,593	17,911	18,298	23,753	36,285	34,078	42,188	53,711
Miscellaneous	229,781	285,026	218,374	223,589	253,665	367,992	164,241	125,928	219,411	299,555
Total Receipts	\$ 3,763,866	3,869,067	4,468,231	3,995,812	3,686,995	5,965,671	4,307,069	3,426,185	3,176,376	3,025,551
Disbursements:										
Operating:										
Public Safety	417,457	454,355	326,083	389,791	\$ 389,181	389,523	345,491	323,681	251,674	295,308
Public Works	816,969	908,915	749,054	655,335	622,186	1,021,080	865,811	1,140,202	643,949	644,923
Health and Social Services	11,365	11,365	11,365	11,365	11,365	11,035	10,712	10,400	35	914
Culture and Recreation	679,453	615,674	615,478	586,052	588,046	570,691	630,412	482,165	630,157	588,182
Community and Economic Development	600,347	583,544	666,532	574,947	426,175	646,657	1,019,735	583,699	442,612	466,778
General Government	278,321	274,063	253,862	219,690	238,932	225,323	239,203	203,296	183,048	202,078
Debt Service	542,650	546,750	552,993	543,160	550,630	548,970	477,123	451,330	513,743	587,801
Capital Projects	691,375	885,197	2,696,763	1,545,713	783,517	2,095,227	2,388,491	333,120	188,463	380,369
Total Disbursements	\$ 4,037,937	4,279,843	5,872,130	4,526,053	3,610,032	5,508,506	5,976,978	3,527,893	3,166,353	3,184,126

See Accompanying Independent Auditor's Report.

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Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statement Performed in Accordance with
Government Auditing Standards
City of Rock Rapids



De Noble, Austin & Company PC

CERTIFIED PUBLIC ACCOUNTANTS



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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Rock Rapids, Iowa, as of and for the fiscal year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic primary government financial statements, and have issued our report thereon dated January 11, 2023. Our report expressed unmodified opinions on the primary government financial statements which were prepared on the basis of cash receipts and disbursement, a basis of accounting other than U.S. generally accepted accounting principles. However, the financial statements referred to above include only the primary government of the City of Rock Rapids, Iowa, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles prepared on the basis of accounting described in Note 1 require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Rock Rapids, Iowa, as of June 30, 2022, and the changes in cash basis financial position for the fiscal year then ended in conformity with the basis of accounting described in Note 1.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the primary government financial statements, we considered the City of Rock Rapids' internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the primary government financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Rock Rapids' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Rock Rapids' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings and Questioned Costs as 22-A to be a material weakness.

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A significant deficiency is a deficiency or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Questioned Costs as 22-B and C to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rock Rapids' primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the fiscal year ended June 30, 2022 are based exclusively on knowledge obtained from procedures performed during our audit of the primary government financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Rock Rapids' Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City of Rock Rapids' responses were not subjected to the auditing procedures applied in the audit of the primary government financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not or provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Rock Rapids during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

De Noble, Austin & Company PC

De Noble, Austin & Company PC
Certified Public Accountants

January 11, 2023

CITY OF ROCK RAPIDS

Schedule of Findings and Questioned Costs

Schedule of Findings

Year Ended June 30, 2022

Findings Related to the Financial Statements: INTERNAL CONTROL DEFICIENCIES:

I-22-A Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – The City has two employees who are involved in the financial accounting procedures of the City. Generally, one or both of these individuals may have control over areas which no compensating controls exist, including performing all record-keeping and reconciling functions for the office, including cash receipts collection, making bank deposits, check preparation and signing, recording of journal entries, payroll processing, and posting of cash receipts and cash disbursements in the accounting system.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. An independent person could be used to regularly check paychecks for accuracy, verify vacation and sick leave, examine employee expense reimbursements, periodically examine investments, review invoices, and review the financial records.

Response – We will continue to investigate the options we have within economic constraints in order to segregate duties to the extent possible with existing personnel of the City and the Municipal Utilities.

Conclusion – Response accepted. It is important that you continue to attempt to implement these recommendations.

I-22-B Records of Accounts

Criteria – Chapter 384.20 of the Code of Iowa states in part that “a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.”

Condition – The Library Board maintains the accounting records pertaining to the operations of the Library. These transactions are not recorded in complete detail in the Clerk's records (only the totals for the fiscal year are entered in the Clerk's records).

Cause – The Library Board maintains the accounting records pertaining to the operations of the Library.

Effect – The financial activity of the City’s operations as a whole is not accumulated within one financial database.

Recommendation – For better accountability, financial and budgetary control, all financial activity of all City accounts should be recorded in the Clerk’s records.

Response – We will further look into the possible of changes to the procedures to more accurately include the Library Board’s activity in the City’s financial system.

Conclusion – Response acknowledged.

I-22-C Insurance Policy

Criteria – “Hangerkeepers coverage” is a separate insurance policy that covers an aircraft that is being serviced or repaired by the airport’s lessee, as this is not covered by the general liability policy.

Condition –The City has received a recommendation from its insurance provider to require “hangarkeepers coverage” in the airport’s fixed base operator lease. At present time, there is no such coverage maintained by the lessee.

Cause –Due to the high cost of such policies, the City has been working with its insurance carrier to assess the potential liability before requiring the coverage.

Effect – Lack of “hangarkeepers coverage” could expose the City to significant liability in the event of a disaster or damage to an aircraft not covered by the general liability policy.

Recommendation – The City should review the lease and be sure that it is current and complied with. They should consider the need to require an adequate amount of “hangerkeeprs coverage” in its airport operator lease.

Response – The City has discussed the issues with its insurance carrier and the airport commission and is aware of the risk.

Conclusion – Response accepted. Please make sure your City Attorney and insurance agent are in agreement that the City has adequate coverage based on the risk the City is willing to accept.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

Other Findings Related to Required Statutory Reporting:

- II-22-A Certified Budget** – Disbursements during the year ended June 30, 2022, did not exceed the amount budgeted for any function.
- II-22-B Travel Expense** – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-22-C Business Transactions** – No business transactions between the City and City officials or employees.
- II-22-D Restricted Donor Activity** – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- II-22-E Bond Coverage** – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-22-F City Council/Library Board Minutes** – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- II-22-G Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's written investment policy were noted.
- II-22-H Annual Urban Renewal Report** – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1.
- II-22-I Interest Allocation** - In accordance with Iowa Code 12C.9(2), interest earned on the proceeds of notes and other indebtedness must be credited to the Debt Service to be used to pay principal or interest as it comes due on the indebtedness or the Capital Project Fund for which the indebtedness was issued. We noted that interest earned on the unspent capital loan proceeds was included in the General Fund and not properly allocated to the Debt Service and Capital Project Funds.

Recommendation – The City should implement procedures to ensure all interest is allocated to the proper funds as required by the Code of Iowa.

Response – We will implement your recommendation.

Conclusion – Response acknowledged

CITY OF ROCK RAPIDS

Staff

This Audit was Performed By:

Carmen Austin, CPA, Senior Auditor

Kayla Reck, Senior Auditor

David DeNoble, CPA, Senior Auditor

De Noble, Austin & Company PC

Certified Public Accountants